

## Message Text

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62

ORIGIN EA-10

INFO OCT-01 NEA-10 ISO-00 DODE-00 /021 R

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P 081604Z AUG 75

FM SECSTATE WASHDC

INFO RUQMHR/AMEMBASSY TEHRAN PRIORITY 7536

AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L STATE 187721

FOLLOWING REPEAT CINCPACREP GUAM MARIANAS ISLANDS SENT ACTION

CINCPAC HONOLULU HI CINCPACFLT MAKALAPA HI 030224Z AUG 75

AND REPEATED INFO SECSTATE FROM CINCPAC AUG 060219Z 75

QTE

C O N F I D E N T I A L //PERSONAL FOR ADM GAYLER AND ADM WEISNER

FM CARROLL //N00000//

DELIVER DURING WORKING HOIRS

DEVELOPMENT OF MAJOR OIL TRANSSHIPMENT PORT IN PALAU

A. CINCPACREP GUAM MARIANAS ISLANDS 190043Z NOV 74

B. CINCPACREP GUAM MARIANAS ISLANDS 020204Z DEC 74

C. CINCPACREP GUAM MARIANAS ISLANDS/TTPI SPEC ASST TTPI MEMCON  
OF 27 JAN 75

1. (C) REFS A THROUGH C REPORT INITIAL AND LATER DEVELOPMENTS  
ON INTERNATIONAL ATTEMPT TO CREATE A MAJOR OIL TRANSSHIPMENT PORT  
IN PALAU ENTITLED PORT PACIFIC. THIS MSG PROVIDES UPDATE ON  
PROGRESS OF CONCEPT AND RECENT POLITICAL EVENTS ASSOCIATED WITH  
PROJECT.

2. (C) ON 31 JULY 75 MR. ROBERT PANERO (SEE REF A), CAPT  
BRANDENBERG, USN (RET.) AND MS. LUPE ECHEVARRIA (PERSONAL ASSISTANT  
AND TRAVELING SERREATARY TO PANERO) VISITED MY OFFICE TO DISCUSS  
PROGRESS OF PORT PACIFIC. AFTER REVIEWING BACKGROUND OF PROJECT,  
MR. PANERO MENTIONED THOSE CHANGES AND ADDITIONS THAT HAD OCCURRED  
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IN PAST SIX MONTHS. THESE INCLUDED:

A. ALTHOUGH SIGNIFICANT AMOUNTS OF MONEY WOULD COME FROM  
JAPAN, PANERO STATED JAPAN HAD BEEN PERSUADED TO ACCEPT A  
MINORITY SHAREHOLDER ROLE. WHILE HE DID NOT DWELL ON THE

RATIONALE FOR THIS, PANERO ALLUDED TO A STRONG DESIRE TO HAVE IRAN TAKE A LEADING ROLE IN THE PROJECT AND MAKING THEM A MAJORITY SHAREHOLDER WOULD BE AN ENTICEMENT. JAPAN BEING, IN PANERO'S WORDS, "DEATHLY AFRAID OF THE IRANIANS" FINALLY AGREED. THIS APPEARS TO BE A SIGNIFICANT CHANGE IN THE INTERNATIONAL CONSORTIUM STRUCTURE WHICH HAS HERETOFORE BEEN BILLED AS FOUR PARTIES (JAPAN, PALAU, IRAN AND AN INTERNATIONAL GROUP OF U.S. AND EUROPEANS) HAVING EQUALLY.

B. FOR THE FIRST TIME PANERO SPOKE OF A FLEET OF OIL TANKERS BASED OR OWNED OUTRIGHT BY "SOME COUNTRY" (PROBABLY IRAN) COMMITTED TO THE PERSIAN GULF-PALAU-PACIFIC ROUTE AS THE PREFERRED CARRIER. IN THIS WAY, THE OIL PRODUCER COULD VIRTUALLY GUARANTEE THE PROFITABILITY OF ITS TANKER FLEET. FOR THIS REASON, PANERO STATED THERE WOULD BE GREAT CAUTION EXERCISED PRIOR TO APPROACHING MAJOR U.S. OIL FIRMS FOR FINANCIAL SUPPORT.

C. PANERO AGAIN STRESSED THE ASSOCIATED INDUSTRIAL ASPECTS OF THE PROJECT CITING MINERAL SMELTING AND OIL REFINERIES SPECIFICALLY. NOT ONLY COULD THE CRUDE BE REFINED IN THE AREA BY SOPHISTICATED CRACKING PLANTS AND REDISTRIBUTED TO ALL PARTS OF JAPAN IN SMALLER TANKERS, BUT THE REFINED OIL COULD BE THE ON-THE-SPOT ENERGY SOURCE FOR HIGHLY AUTOMATED ELECTROLYTIC REFINING PLANTS FOR AUSTRALIAN, BOUGAINVILLE AND AFRICAN IRON, COPPER AND ZINC RESPECTIVELY.

D. THE SUBJECT OF CONTINUING U.S. MILITARY CONTROL OVER THE AREA WAR RE-EMPHASIZED AND CLEARLY DEFINED AS A "SINE QUA NON" TO THE ENTIRE PROJECT. MOREOVER, HE DECLARED PALAU WAS WELL AWARE OF THIS AND FOR THIS REASON "THEY ARE PREPARED TO COOPERATE FULLY WITH ALL U.S. SECURITY REQUIREMENTS". PANERO ALSO STATED THAT ON AN INFORMAL BUT POSITIVE BASIS, A NUMBER OF AMERICAN GOVERNMENT OFFICIALS HAVE INDICATED THE U.S. GOVERNMENT WILL APPROVE THE PROJECT, PRIMARILY BECAUSE THE PROJECTS GEOGRAPHIC POSITION COINCIDES WITH THE RECENT EASTWARD SHIFT IN THE U.S. DEFENSE PERIMETER.

E. COSTS ASSOCIATED WITH THE PROJECT REMAIN CONSISTENT WITH THE FIRST STEP REQUIRING AN INVESTMENT OF ABOUT 300 MILLION DOLLARS BY AN INTERNATIONAL CONSORTIUM CAPABLE OF CONTINUING THE PROJECT THROUGH ITS FULL EVOLUTION;  
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HOWEVER, PANERO SPOKE OF THE NEED FOR IRAN "TO TAKE THE LEAD IN A JOINT

JAPAN-IRAN FEASIBILITY STUDY  
(ONE YEAR \$3-4 MILLION).

F. PANERO AND ASSOCIATES ARE NOW WORKING ON A MEETING, PRESENTLY SCHEDULED 11-13 AUGUST, WITH JAPANESE AND IRANIAN PARTIES. HE STATED THE NEED FOR THEM TO SEE THE ISLANDS, AGREE ON THE FEASIBILITY PROGRAM; TO BEGIN ABOUT OCTOBER WITH CONSTRUCTION COMMENCING IN JANUARY 1977.

3. (C) IN THIS MEETING PANERO DID NOT MENTION ANY DIRECT INVOLVMENT WITH THE NAVY IN FUTURE MEETINGS; HOWEVER, HE APPEARED TO LEAVE THE DOOR OPEN. HE DID MENTION A DESIRE TO KEEP PORT PACIFIC OUT OF PALAUAN AND TTPI POLITICS. TO MY MIND, THIS APPEARS RATHER

NAIVE SINCE PORT PACIFIC IS THE ESSENCE OF PALAUAN POLITICS TODAY  
AND IS UNDOUBTEDLY STRONGLY LINKED WITH THE PALAUAN NON-  
NEGOTIABLE POSITON SET FOR IN THE MICRONESIAN  
CONSTITUTIONAL CONVENTION PRESENTLY UNDERWAY IN SAIPAN.

4. (C) MR. PANERO IS WORKING VERY HARD ON THE PROJECT, HAS  
DEVELOPED A VERY PERSUASIVE ARGUMENT TO SELL WHAT SEEMS ON THE  
SURFACE TO BE A VERY FEASIBLE CONCEPT. I AM NOT ALTOGETHER  
CERTAIN HE UNDERSTANDS THE PALAUAN PEOPLE, THEIR POLITICS OR IS  
READING THE TEA LEAVES CORRECTLY FOR THIS PART OF THE WORLD.  
PERHAPS MORE IMPORTANTLY, CAN HE MATCH IT ALL UP WITH THE  
JAPANESE AND THE IRANIANS, TWO OF THE MOST POWERFUL ECONOMIC  
NATIONALITIES IN THE WORLD TODAY. TIME WILL TELL. I WILL CONTINUE TO  
KEEP YOU ABREAST OF PORT PACIFICS PROGRESS AS IT IS MADE KNOWN  
TO ME.

5. (U) I HAVE BRIEFED PDASD VON MARBOD ON THIS SUBJECT. HE  
EXPRESSED MORE THAN CASUAL INTEREST AND REQUESTED TO BE KEPT  
INFORMED OF FUTURE DEVELOPMENTS.

6. (U) WARMEST RESPECTS.

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